

CITY OF EAGLE GROVE, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

T.P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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CITY OF EAGLE GROVE, IOWA

Officials

June 30, 2015

| <u>Title</u> | <u>Name of Official</u> | <u>Term Expires</u> |
|-----------------------|-------------------------|---------------------|
| Mayor | Sandy McGrath | December 2015 |
| Council Person | Wally Lorenzen | December 2017 |
| Council Person | Dennis Vandewater | December 2015 |
| Council Person | Teri Jo Pohlman | December 2015 |
| Council Person | Todd Swalin | December 2017 |
| Council Person | Kendall Johnson | December 2017 |
| Council Person | Tony Axtell | December 2015 |
| City Administrator | Michael Boyd | |
| Public Works Director | Robert Lunda | |
| Finance Officer | Susan J. Maier, CPA | |



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Eagle Grove adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting of Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis and the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 25 and 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016 on our consideration of the City of Eagle Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eagle Grove's internal control over financial reporting and compliance.

T.P. Anderson & Company

February 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Eagle Grove, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 72%, or approximately \$2.7 million, from fiscal 2014 to fiscal 2015. The increase is due to an increase in capital grants for the drainage project and bond proceeds.
- Disbursements of the City's governmental activities increased 35%, or approximately \$1.4 million, from fiscal 2014 to fiscal 2015, primarily due to a increase in capital projects.
- The City's total cash basis net assets increased 55%, or approximately \$967,000 from June 30, 2014 to June 30, 2015. The City's governmental activities cash balance increased approximately \$906,000 and its business type activities cash balance increased by approximately \$61,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of the federal programs that benefited the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system, and the related meter deposits. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sanitary sewer, and meter deposits. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

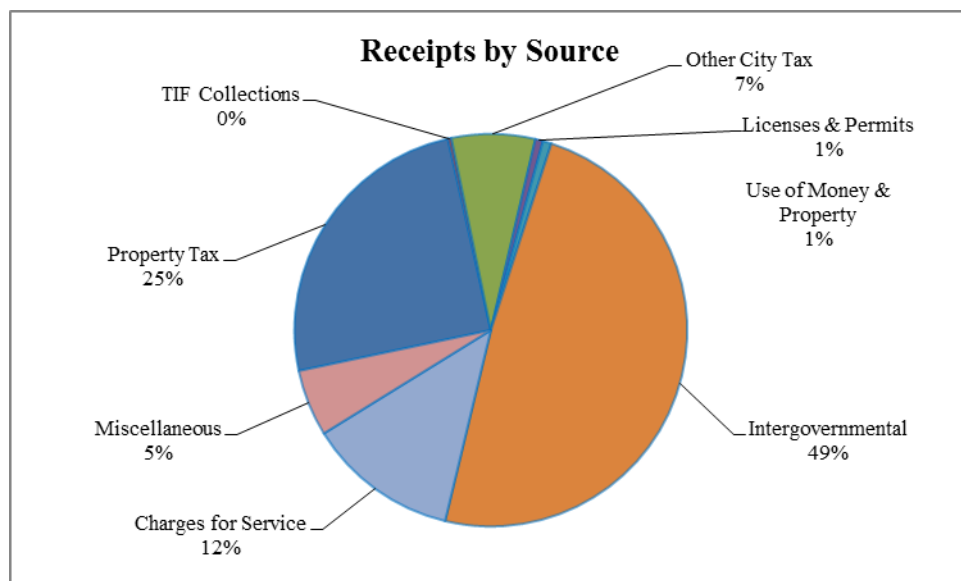
The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

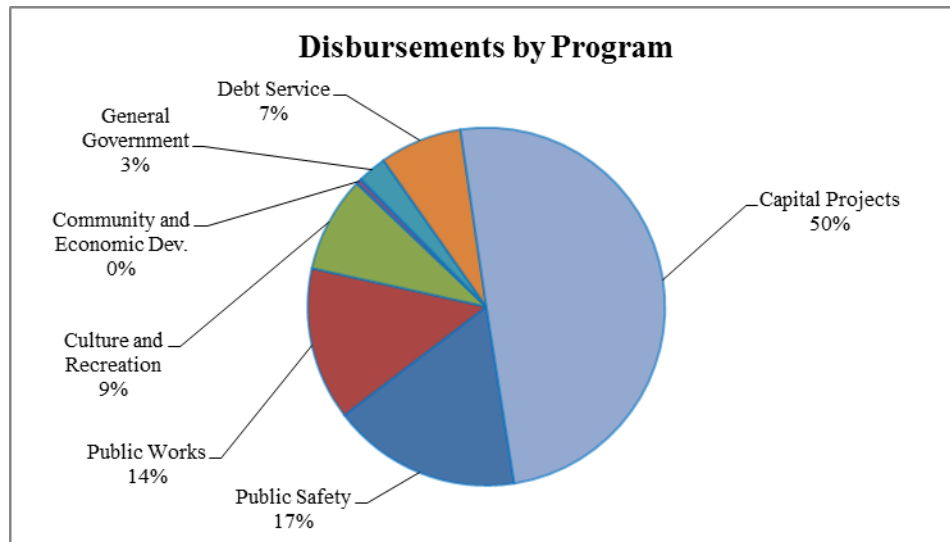
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from the prior year, from \$1.2 million to \$2.1 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|---------------------|-------|
| | Year ended June 30, | |
| | 2015 | 2014 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 622 | 637 |
| Operating grants, contributions and restricted interest | 451 | 429 |
| Capital grants, contributions and restricted interest | 1,987 | 607 |
| General receipts: | | |
| Property tax | 1,241 | 1,180 |
| Tax increment financing | 14 | 74 |
| Local option sales tax | 344 | 338 |
| Unrestricted investment earnings | 5 | 5 |
| Bond proceeds | 1,288 | 1,180 |
| Other general receipts | 390 | 412 |
| Total receipts and transfers | 6,342 | 3,682 |
| Disbursements: | | |
| Public safety | 960 | 971 |
| Public works | 736 | 701 |
| Culture and recreation | 481 | 501 |
| Community and economic development | 29 | 59 |
| General government | 142 | 164 |
| Debt service | 406 | 402 |
| Capital projects | 2,714 | 1,263 |
| Total disbursements | 5,468 | 4,061 |
| Changes in cash basis net position before transfers | 874 | (379) |
| Transfers, net | 32 | 33 |
| Changes in cash basis net position | 906 | (346) |
| Cash basis net position beginning of year | 1,175 | 1,521 |
| Cash basis net position end of year | \$ 2,081 | 1,175 |





The City's total receipts for governmental activities increased by 72%, or approximately \$2.7 million. The total cost of all governmental programs and services increased by approximately \$1.4 million, or 35%.

The cost of all governmental activities this year was \$5.5 million compared to \$4.1 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 10, the amount taxpayers ultimately financed for these activities was \$2.4 million because some of the cost was paid by those who directly benefited from the programs (\$622,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$2.4 million). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2015 from approximately \$1.7 million to approximately \$3.1 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1.6 million in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands) | | |
|--|---------------------|-------|
| | Year ended June 30, | |
| | 2015 | 2014 |
| Receipts: | | |
| Charges for service: | | |
| Water | \$ 717 | 687 |
| Sewer rental | 582 | 535 |
| Other | 13 | 14 |
| General receipts: | | |
| Unrestricted interest on investments | 2 | 4 |
| Total receipts | 1,314 | 1,240 |
| Disbursements: | | |
| Water | 647 | 663 |
| Sewer rental | 567 | 570 |
| Other | 7 | 11 |
| Total disbursements | 1,221 | 1,244 |
| Change in cash basis net position before transfers | 93 | (4) |
| Transfers, net | (32) | (33) |
| Change in cash basis net position | 61 | (37) |
| Cash basis net position beginning of year | 587 | 624 |
| Cash basis net position end of year | \$ 648 | 587 |

Total business type activities receipts for the fiscal year 2015 were approximately \$1.3 million, an increase of \$74,000 from fiscal year 2014. The cash basis net position increased by approximately \$61,000 from the prior year. Total disbursements for the fiscal year decreased approximately \$23,000 compared to the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$2,023,829, an increase of approximately \$926,000 from last year's total of \$1,097,729. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$33,000 from the prior year to approximately \$332,000 as planned during budgeting.
- The Capital Improvement Fund cash balance increased by approximately \$25,000 during the fiscal year due to paying for planned construction projects.
- The DD94 and Sanitary Sewer Fund (capital project) increased by \$10,185. This resulted from timing of disbursements for the construction project and the receipts.
- The LOST Fund has a balance of \$266,589, an increase of \$13,135 from fiscal year 2014. The increase is due to more local option sales tax during the fiscal year and less capital projects.
- The 2014 Project Fund balance increased by \$795,000 due to receiving bond proceeds that had not been spent in total by the end of the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$50,856 to \$169,170. The increase is mainly due to increased water rates and less capital project disbursements for the year.
- The Sewer Fund cash balance increased by \$2,779 to \$351,318, due to an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2015 and resulted in an increase in total budgeted revenues and other sources of \$2,680,000 and an increase in expenditures and transfers out of \$1,677,260. The City over-expended its budget in the Community and economic development function for the year.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$5,143,000 in bonds and other long-term debt, compared to approximately \$4,328,000 last year, as shown below.

| Outstanding Debt at Year-End (Expressed in Thousands) | | |
|--|---------------------|-------|
| | Year ended June 30, | |
| | 2015 | 2014 |
| General obligation bonds | \$ 3,963 | 3,007 |
| Revenue notes | 1,180 | 1,321 |
| Total | \$ 5,143 | 4,328 |

The City's outstanding debt increased during the year due to issuing general obligation bonds amounting to \$1,280,000. The bonds that were issued were to finance general infrastructure repair, clearing damaged or dilapidated homes in the community and to make improvements to City hall.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5.1 million is within its constitutional debt limit of \$5.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Eagle Grove's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for various City activities.

It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. A big concern is the enacted changes to the property tax system. The changes will require the City to rely on a standing appropriation from the State of Iowa which is to reimburse local governments for property tax reductions caused by the new legislation. It is anticipated that this standing appropriation will eventually fall short of the property tax the City would have collected and may cause a strain on the budgeted expenditures for the Public Safety, Culture and Recreation, and General Government functions.

Several of the City's expenditures such as property and liability insurance, vehicle repairs and maintenance, Communication center per capita cost assessed by Wright County and union negotiated raises for the police department increase notably during the year. The rising cost of health insurance is always a concern. Revenues collected for ambulance services and pool admissions continue to decline. These factors have been taken into account in setting the fiscal year 2016 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Eagle Grove's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Maier, City Finance Officer, 210 East Broadway, P.O. Box 165, Eagle Grove, Iowa 50533.

Basic Financial Statements

CITY OF EAGLE GROVE, IOWA

Exhibit A

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|---------------------|------------------------|---|---|--|-----------------------------|--------------------|
| | Disbursements | Charges for Service | Operating Grants Contributions and Restricted Interest | Capital Grants Contributions and Restricted Interest | Governmental Activities | Business type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities: | | | | | | | |
| Public safety | \$ 960,420 | 234,169 | 27,490 | - | \$ (698,761) | - | (698,761) |
| Public works | 736,437 | 331,189 | 377,047 | 1,986,656 | 1,958,455 | - | 1,958,455 |
| Culture and recreation | 481,970 | 56,915 | 46,937 | - | (378,118) | - | (378,118) |
| Community and economic development | 29,486 | - | - | - | (29,486) | - | (29,486) |
| General government | 141,506 | - | - | - | (141,506) | - | (141,506) |
| Debt service | 405,590 | - | - | - | (405,590) | - | (405,590) |
| Capital projects | 2,713,682 | - | - | - | (2,713,682) | - | (2,713,682) |
| Total governmental activities | 5,469,091 | 622,273 | 451,474 | 1,986,656 | (2,408,688) | - | (2,408,688) |
| Business type activities | | | | | | | |
| Water | 646,757 | 716,599 | - | - | - | 69,842 | 69,842 |
| Sewer | 566,742 | 582,076 | - | - | - | 15,334 | 15,334 |
| Other | 6,930 | 12,840 | - | - | - | 5,910 | 5,910 |
| Total business type activities | 1,220,429 | 1,311,515 | - | - | - | 91,086 | 91,086 |
| Total primary government | \$ 6,689,520 | 1,933,788 | 451,474 | 1,986,656 | (2,408,688) | 91,086 | (2,317,602) |
| General Receipts: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | 1,241,496 | - | 1,241,496 |
| Tax increment financing | | | | | 14,310 | - | 14,310 |
| Local option sales tax | | | | | 343,826 | - | 343,826 |
| Unrestricted interest on investments | | | | | 5,197 | 2,435 | 7,632 |
| Bond proceeds | | | | | 1,288,192 | - | 1,288,192 |
| Other general receipts | | | | | 389,675 | - | 389,675 |
| Operating transfers in (out) | | | | | 32,130 | (32,130) | - |
| Total general receipts and transfers | | | | | 3,314,826 | (29,695) | 3,285,131 |
| Change in cash basis net position | | | | | 906,138 | 61,391 | 967,529 |
| Cash basis net position, beginning of year | | | | | 1,175,020 | 587,441 | 1,762,461 |
| Cash basis net position, end of year | | | | | \$ 2,081,158 | 648,832 | 2,729,990 |
| Cash Basis Net Assets: | | | | | | | |
| Restricted | | | | | | | |
| Nonspendable: | | | | | | | |
| Library fund | | | | | \$ 40,700 | - | 40,700 |
| Cemetery perpetual care | | | | | 63,310 | - | 63,310 |
| Expendable: | | | | | | | |
| Streets | | | | | 79,855 | - | 79,855 |
| Employee benefits | | | | | 85,906 | - | 85,906 |
| LOST | | | | | 266,589 | - | 266,589 |
| Debt service | | | | | 36,235 | 275,396 | 311,631 |
| Other purposes | | | | | 815,383 | - | 815,383 |
| Unrestricted | | | | | 693,180 | 373,436 | 1,066,616 |
| Total cash basis net position | | | | | \$ 2,081,158 | 648,832 | 2,729,990 |

See Notes to Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

| | Special Revenue | | Capital Projects | | |
|--|--------------------|-----------|------------------------|---------------|-----------------------------|
| | General | LOST | Capital Improvement | 2014 Projects | DD#94 and Sanitary Sewer |
| Receipts: | | | | | |
| Property tax | \$ 680,084 | - | 48,402 | - | - |
| Tax increment financing collections | - | - | - | - | - |
| Other city tax | 6,732 | 337,094 | - | - | - |
| Licenses and permits | 26,891 | 1,173 | - | - | - |
| Use of money and property | 34,187 | - | 1,177 | 88 | - |
| Intergovernmental | 75,124 | - | - | - | 1,986,656 |
| Charges for service | 362,797 | - | - | - | - |
| Miscellaneous | 63,411 | - | 16,906 | 50,000 | - |
| Total receipts | 1,249,226 | 338,267 | 66,485 | 50,088 | 1,986,656 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | 699,721 | - | - | - | - |
| Public works | 92,430 | - | - | - | - |
| Culture and recreation | 375,261 | - | - | - | - |
| Community and economic development | 17,711 | - | - | - | - |
| General government | 113,247 | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | 150,572 | 41,749 | 542,964 | 1,976,471 |
| Total disbursements | 1,298,370 | 150,572 | 41,749 | 542,964 | 1,976,471 |
| Excess (deficiency) of receipts over (under) disbursements | (49,144) | 187,695 | 24,736 | (492,876) | 10,185 |
| Other financing sources (uses): | | | | | |
| Bond proceeds | - | - | - | 1,288,192 | - |
| Sale of capital assets | 1,427 | - | - | - | - |
| Operating transfers in | 27,634 | - | - | - | - |
| Operating transfers out | (12,500) | (174,560) | - | - | - |
| Total other financing sources (uses) | 16,561 | (174,560) | - | 1,288,192 | - |
| Net change in cash balances | (32,583) | 13,135 | 24,736 | 795,316 | 10,185 |
| Cash balances beginning of year | 365,036 | 253,454 | 182,773 | - | (148,069) |
| Cash balances end of year | \$ 332,453 | 266,589 | 207,509 | 795,316 | (137,884) |
| Cash Basis Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Library fund | \$ - | - | - | - | - |
| Cemetery perpetual care | - | - | - | - | - |
| Restricted for: | | | | | |
| LOST | - | 266,589 | - | - | - |
| Employee benefits | | | | | |
| Streets | | | | | |
| Debt service fund | - | - | - | - | - |
| Other purposes | - | - | 207,509 | 795,316 | - |
| Unassigned | 332,453 | - | - | - | (137,884) |
| Total cash basis fund balances | \$ 332,453 | 266,589 | 207,509 | 795,316 | (137,884) |

See Notes to Financial Statements

| <hr/> | |
|--|-----------------|
| Other Nonmajor Governmental Funds | Total |
| 513,010 | 1,241,496 |
| 14,310 | 14,310 |
| - | 343,826 |
| - | 28,064 |
| - | 35,452 |
| 376,350 | 2,438,130 |
| 259,476 | 622,273 |
| 198,073 | 328,390 |
| <hr/> 1,361,219 | <hr/> 5,051,941 |
| 233,080 | 932,801 |
| 660,575 | 753,005 |
| 95,759 | 471,020 |
| 11,775 | 29,486 |
| 28,759 | 142,006 |
| 405,590 | 405,590 |
| 1,926 | 2,713,682 |
| <hr/> 1,437,464 | <hr/> 5,447,590 |
| (76,245) | (395,649) |
| - | 1,288,192 |
| - | 1,427 |
| 219,190 | 246,824 |
| (27,634) | (214,694) |
| <hr/> 191,556 | <hr/> 1,321,749 |
| 115,311 | 926,100 |
| <hr/> 444,535 | <hr/> 1,097,729 |
| <hr/> 559,846 | <hr/> 2,023,829 |
| 40,700 | 40,700 |
| 58,310 | 58,310 |
| - | 266,589 |
| 85,906 | 85,906 |
| 79,855 | 79,855 |
| 36,235 | 36,235 |
| 258,840 | 1,261,665 |
| - | 194,569 |
| <hr/> 559,846 | <hr/> 2,023,829 |

CITY OF EAGLE GROVE, IOWA

Exhibit C

Reconciliation of the
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position-
Governmental Funds

As of and for the year ended June 30, 2015

| | |
|---|--------------|
| Total governmental funds cash balances | \$ 2,023,829 |
|---|--------------|

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Cash Basis Statement of Net Position.

57,329

| | |
|---|----------------------------|
| Cash basis net position of governmental activities | <u><u>\$ 2,081,158</u></u> |
|---|----------------------------|

| | |
|-----------------------------------|------------|
| Net change in cash balance | \$ 926,100 |
|-----------------------------------|------------|

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net position of the Internal Service Funds is reported with the governmental activities.

(19,962)

| | |
|--|--------------------------|
| Change in cash balance of governmental activities | <u><u>\$ 906,138</u></u> |
|--|--------------------------|

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

| | Enterprise Funds | | | |
|---|-------------------------|-----------|----------------------------------|-----------|
| | Water | Sewer | Non-major - Meter Deposits | Total |
| Operating receipts: | | | | |
| Charges for service | \$ 716,599 | 582,076 | 12,840 | 1,311,515 |
| Total operating receipts | 716,599 | 582,076 | 12,840 | 1,311,515 |
| Operating disbursements: | | | | |
| Business type activities | 580,336 | 342,852 | 10,430 | 933,618 |
| Total operating disbursements | 580,336 | 342,852 | 10,430 | 933,618 |
| Excess of operating receipts over operating disbursements | 136,263 | 239,224 | 2,410 | 377,897 |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 292 | 2,143 | - | 2,435 |
| Debt service | - | (171,945) | - | (171,945) |
| Sale of assets | - | - | - | - |
| Capital projects | (66,421) | (53,791) | - | (120,212) |
| Total non-operating receipts (disbursements) | (66,129) | (223,593) | - | (289,722) |
| Excess (deficiency) of receipts and non-operating receipts over (under) disbursements and non-operating disbursement | 70,134 | 15,631 | 2,410 | 88,175 |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | 171,945 | - | 171,945 |
| Operating transfers out | (19,278) | (184,797) | - | (204,075) |
| Total other financing sources (uses) | (19,278) | (12,852) | - | (32,130) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 50,856 | 2,779 | 2,410 | 56,045 |
| Cash balances beginning of year | 118,314 | 348,539 | 72,874 | 539,727 |
| Cash balances end of year | \$ 169,170 | 351,318 | 75,284 | 595,772 |
| Cash Basis Fund Balances | | | | |
| Restricted for debt service | \$ - | 200,112 | 75,284 | 275,396 |
| Unrestricted | 169,170 | 151,206 | - | 320,376 |
| Total cash basis fund balances | \$ 169,170 | 351,318 | 75,284 | 595,772 |

See Notes to Financial Statements

| Internal Service Funds | | | |
|-------------------------------|----------------------------------|--------------------------|----------|
| | Non-major- Employee Health | Equipment Replacement | Total |
| \$ | 2,000 | 42,500 | 44,500 |
| | 2,000 | 42,500 | 44,500 |
| | 7,306 | 57,850 | 65,156 |
| | 7,306 | 57,850 | 65,156 |
| | (5,306) | (15,350) | (20,656) |
| | - | - | - |
| | - | - | - |
| | - | 6,040 | 6,040 |
| | - | - | - |
| | - | 6,040 | 6,040 |
| | (5,306) | (9,310) | (14,616) |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | (5,306) | (9,310) | (14,616) |
| | 7,373 | 117,632 | 125,005 |
| \$ | 2,067 | 108,322 | 110,389 |
| | - | - | - |
| | 2,067 | 108,322 | 110,389 |
| \$ | 2,067 | 108,322 | 110,389 |

CITY OF EAGLE GROVE, IOWA

Exhibit E

Reconciliation of the
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position-
Proprietary Funds

As of and for the year ended June 30, 2015

| | | |
|---|----|---------|
| Total enterprise funds cash balances | \$ | 595,772 |
|---|----|---------|

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in business-type activities in the Cash Basis Statement of Net Position.

53,060

| | | |
|--|----|---------|
| Cash basis net position of business type activities | \$ | 648,832 |
|--|----|---------|

| | | |
|------------------------------------|----|--------|
| Net change in cash balances | \$ | 56,045 |
|------------------------------------|----|--------|

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net assets of the Internal Service Funds is reported with the business-type activities.

5,346

| | | |
|--|----|--------|
| Change in cash balance of business-type activities | \$ | 61,391 |
|--|----|--------|

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies**

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and landfill utilities and services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Eagle Grove has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Blended Component Units - The following component unit is an entity, which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City.

The municipal waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks is legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Conference Board, Wright County Emergency Management Commission, Wright County Joint E911 Service Board, Law Enforcement Center Commission, Wright County Landfill Authority, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds

The LOST Fund is used to account for the local sales tax collected and disbursed by the City.

Capital Projects:

The Capital Improvement Fund is used by the City to account for the special tax levy received for various improvement projects for the City.

The 2014 projects Fund is used to account for the debt proceeds received to finance City infrastructure improvements, to clean up dangerous or dilapidated homes and to make improvements to City hall.

The DD#94 and Sanitary Sewer Fund is used to account for the receipts and disbursements associated with the planned drainage district and sanitary sewer capital project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

distribution system.

The Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system. It also accounts for the payment of interest and principal on the City's Sewer Revenue Bonds and the reserve funds which have a balance of \$200,112 and are required by the loans.

The City also reports the following additional proprietary funds:

Internal service funds are utilized to account for the partial self-funding of the City's employees' health insurance deductible and to account for the accumulation of resources to replace various City equipment.

C. Measurement Focus and Basis of Accounting

The City of Eagle Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursements toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function.

(2) **Cash and Investments**

The City's deposits in banks at June 30, 2015 (which include certificates of deposit totaling \$628,950) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,052,245 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

| Year Ending | General Obligation | | Revenue Notes | | Total Debt | |
|-----------------|--------------------|-----------------|------------------|-----------------|------------------|-----------------|
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | 418,318 | 80,543 | 144,080 | 27,866 | 562,398 | 108,409 |
| 2017 | 385,000 | 74,773 | 147,724 | 24,223 | 532,724 | 98,996 |
| 2018 | 395,000 | 68,713 | 151,460 | 20,486 | 546,460 | 89,199 |
| 2019 | 395,000 | 61,558 | 133,392 | 16,908 | 528,392 | 78,466 |
| 2020 | 400,000 | 54,138 | 136,766 | 13,534 | 536,766 | 67,672 |
| 2021-2025 | 1,800,000 | 150,088 | 466,961 | 21,214 | 2,266,961 | 171,302 |
| 2026 | 170,000 | 4,675 | - | - | 170,000 | 4,675 |
| Total | 3,963,318 | 494,488 | 1,180,383 | 124,231 | 5,143,701 | 618,719 |

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$1,596,375 of sewer revenue notes issued in August 2012. These bonds were used to refund bonds with

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

higher interest rates. These notes are payable only from sewer customer net receipts and are payable through 2024. Total principal and interest remaining to be paid in the notes is \$1,304,614. For the current year, principal and interest paid (not including the refunded bonds) and the excess of operating receipts over operating disbursements for the sewer fund were \$171,945 and \$239,224, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate Sewer sinking funds for the purpose of making the notes' principal and interest payments when due.
- c. Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

| | G.O. Bonds | Revenue Bonds | |
|----------------------------|---------------------|------------------|------------------|
| Balance, beginning of year | \$ 3,006,653 | 1,320,908 | 4,327,561 |
| Additions | 1,280,000 | - | 1,280,000 |
| Decreases | 323,335 | 140,525 | 463,860 |
| Balance, end of year | <u>\$ 3,963,318</u> | <u>1,180,383</u> | <u>5,143,701</u> |

Interest rates on the general obligation bonds range from 0.00 to 2.65%. The interest rate on the City's outstanding revenue bonds was 2.50% as of June 30, 2015.

(4) Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

A protection occupation member may retire at normal retirement age, which is generally age 55. A protection occupation member may retire any time after they reach age 50, if at least 22 years of covered employment have elapsed. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$111,037.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$327,455. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.008257 percent, which was a decrease of 0.002937 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$42,503, \$23,957 and \$282,367 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00 percent per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50 percent, compounded annually, net of investments expense, including inflation. |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31 |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| City's proportionate share of the net pension liability (asset) | \$937,008 | \$327,455 | \$(186,746) |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Post-Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 20 active and no inactive members in the plan. Participants must be 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The City has two plans available for members to choose from. The most recent active member monthly premiums for the City and plan members are \$563 for single coverage and \$1,149 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$258,879 and plan members contributed \$31,996 to the plan.

(6) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Upon retirement, employees are paid one (1) day's pay for every four (4) days of sick time remaining on the employee's retirement day.

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate liability earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount June 30, 2015</u> |
|--------------------------------|---------------------------------|
| Sick pay | \$ 244,647 |
| Vacation pay and personal days | <u>70,522</u> |

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Total \$ 315,169

The City by resolution sets the rules for sick pay as follows:

1 day per month with a maximum of 120 days accumulation.

The City by resolution sets the rules for vacation policy as follows:

| | |
|---|---------|
| After one calendar year of employment | 5 days |
| After two consecutive calendar years of employment | 10 days |
| After seven consecutive calendar years of employment | 15 days |
| After twelve consecutive calendar years of employment | 20 days |

Vacation must be used in the year following the year earned except that no more than 10 days may be carried into the following year.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2015 is as follows:

| Transfer In | Transfer Out | Amount |
|--------------|--------------------|-------------------|
| General | Employee Benefits | \$ 616 |
| | Emergency Levy | 19,503 |
| | Solid Waste | 7,515 |
| | Total General | <u>27,634</u> |
| TIF | General | 12,500 |
| | Total TIF | <u>12,500</u> |
| Debt Service | LOST | 2,615 |
| | Water | 19,278 |
| | Sewer | 184,797 |
| | Total Debt Service | <u>206,690</u> |
| Sewer | LOST | 171,945 |
| | Total Sewer | <u>171,945</u> |
| | | <u>\$ 418,769</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Wright County Landfill Authority

The City, in conjunction with twelve other municipalities, is a member of the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Landfill has been closed. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

The Authority, during its operation, did not accumulate sufficient financial resources for its debt and its closing costs; therefore the participating governments are obligated for a proportionate share of those costs. During the year ended June 30, 2015, the City of Eagle Grove paid the Authority \$10,034 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

(9) Risk Management

The City of Eagle Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Eagle Grove. Property taxes become liens on property as of July 1, 2014 and are payable in September 2014 and March 2015. The valuations for the taxes are based on January 1, 2013 assessed property valuations, and are based on a certified budget from May of 2015.

(11) Deficit Fund Balance

The DD#94 Fund had a deficit balance of \$137,884 at June 30, 2015. The deficit resulted from project costs being incurred prior to the availability of funds. The City will investigate alternatives such as transfers or grant awards to eliminate the deficit.

(12) Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through February 18, 2016, the date the financial statements were issued.

(13) Correction of an Error

The Library Fund cash balance and General Fund cash balance as of June 30, 2014 were reported incorrectly. A correction of \$5,000 that decreased the Library fund cash balance and increased the General Fund cash balance as of July 1, 2014 was required. The schedule below reflects the correction that was made.

| | Cash balances end of year - 2014 <u>as previously reported</u> | <u>Correction</u> | Cash balances beginning of year - 2015 <u>as corrected</u> |
|---------------------|--|-------------------|--|
| Library – Non Major | \$45,700 | (\$5,000) | \$ 40,700 |
| General | \$360,036 | \$5,000 | \$ 365,036 |

Other Information

CITY OF EAGLE GROVE, IOWA

Budgetary Comparison of Receipts, Disbursements and Changes
in Balances - Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds

OTHER INFORMATION
Year Ended June 30, 2015

| | Governmental Funds Activity | Proprietary Funds Activity | Net |
|--|--------------------------------|-------------------------------|-----------|
| Receipts | | | |
| Property tax | \$ 1,241,496 | - | 1,241,496 |
| Tax increment financing collection | 14,310 | - | 14,310 |
| Other city tax | 343,826 | - | 343,826 |
| Licenses and permits | 32,017 | - | 32,017 |
| Use of money and property | 35,452 | 2,435 | 37,887 |
| Intergovernmental | 2,438,130 | - | 2,438,130 |
| Charges for service | 622,273 | 1,356,015 | 1,978,288 |
| Miscellaneous | 274,437 | 6,040 | 280,477 |
| Total receipts | 5,001,941 | 1,364,490 | 6,366,431 |
| Disbursements: | | | |
| Program | | | |
| Public safety | 932,801 | - | 932,801 |
| Public works | 753,005 | - | 753,005 |
| Culture and recreation | 471,020 | - | 471,020 |
| Community and economic development | 29,486 | - | 29,486 |
| General government | 142,006 | - | 142,006 |
| Debt service | 405,590 | - | 405,590 |
| Capital projects | 2,713,682 | - | 2,713,682 |
| Business type activities | - | 1,290,931 | 1,290,931 |
| Total disbursements | 5,447,590 | 1,290,931 | 6,738,521 |
| Excess (deficiency) of receipts over disbursements | (445,649) | 73,559 | (372,090) |
| Other financing sources (uses) | 1,371,749 | (32,130) | 1,339,619 |
| Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses | 926,100 | 41,429 | 967,529 |
| Balance - beginning of year | 1,097,729 | 664,732 | 1,762,461 |
| Balance - end of year | \$ 2,023,829 | 706,161 | 2,729,990 |

See Accompanying Independent Auditor's Report

| Budgeted Amounts | | Final to Net Variance |
|------------------|-------------|--------------------------|
| Original | Final | |
| \$ 1,167,656 | 1,167,656 | 73,840 |
| 12,500 | 12,500 | 1,810 |
| 372,475 | 387,475 | (43,649) |
| 33,550 | 33,550 | (1,533) |
| 43,042 | 43,042 | (5,155) |
| 1,267,695 | 1,917,695 | 520,435 |
| 1,960,000 | 1,960,000 | 18,288 |
| 159,750 | 189,750 | 90,727 |
| 5,016,668 | 5,711,668 | 654,763 |
| 1,037,242 | 975,242 | 42,441 |
| 731,774 | 754,024 | 1,019 |
| 490,467 | 499,067 | 28,047 |
| 31,652 | 26,062 | (3,424) |
| 142,820 | 146,320 | 4,314 |
| 382,976 | 406,476 | 886 |
| 1,419,016 | 3,166,016 | 452,334 |
| 1,376,120 | 1,309,120 | 18,189 |
| 5,612,067 | 7,282,327 | 543,806 |
| (595,399) | (1,570,659) | 1,198,569 |
| 52,500 | 2,030,500 | (690,881) |
| (542,899) | 459,841 | 507,688 |
| 1,969,815 | 1,969,815 | (207,354) |
| \$ 1,426,916 | 2,429,656 | 300,334 |

CITY OF EAGLE GROVE, IOWA

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and the Enterprise Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$2,680,000 and budgeted disbursements by \$1,677,260. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted for community and economic development function.

CITY OF EAGLE GROVE, IOWA

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year

Other Information

| | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability (asset) | 0.008257% |
| City's proportionate share of the net pension liability (asset) | \$327,455 |
| City's covered-employee payroll | \$1,183,397 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 27.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

CITY OF EAGLE GROVE, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 9 Fiscal Years

Other Information

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|------------------|-----------------|
| Statutorily required contribution | \$ 111,037 | \$ 109,060 | \$ 100,816 | \$ 97,164 |
| Contributions in relation to the statutorily required contribution | <u>(111,037)</u> | <u>(109,060)</u> | <u>(100,816)</u> | <u>(97,164)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 1,183,397 | \$ 1,161,566 | \$ 1,090,477 | \$ 1,105,546 |
| Contributions as a percentage of covered-employee payroll | 9.38% | 9.39% | 9.25% | 8.79% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 83,015 | \$ 79,262 | \$ 73,070 | \$ 66,236 | \$ 64,051 |
| <u>(83,015)</u> | <u>(79,262)</u> | <u>(73,070)</u> | <u>(66,236)</u> | <u>(64,051)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,042,392 | \$ 1,067,106 | \$ 1,035,090 | \$ 1,078,130 | \$ 1,016,440 |
| 7.96% | 7.43% | 7.06% | 6.14% | 6.30% |

CITY OF EAGLE GROVE, IOWA

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.

CITY OF EAGLE GROVE, IOWA

Notes to Other Information – Pension Liability

June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate. The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF EAGLE GROVE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

| | Special Revenue | | | |
|---------------------------------------|-----------------|----------|-------------------|--------------|
| | Solid Waste | TIF | Employee Benefits | Road Use Tax |
| Receipts: | | | | |
| Property tax | \$ - | - | 369,963 | - |
| Tax increment financing collections | - | 14,310 | - | - |
| Intergovernmental | - | - | - | 372,569 |
| Charges for service | 259,476 | - | - | - |
| Miscellaneous | - | - | 21,268 | - |
| Total receipts | 259,476 | 14,310 | 391,231 | 372,569 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | | | 233,080 | - |
| Public works | 249,795 | - | 35,948 | 374,832 |
| Culture and recreation | | | 95,759 | - |
| Community and economic development | - | 10,741 | 1,034 | - |
| General government | | | 28,759 | - |
| Debt service | - | 16,668 | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | 249,795 | 27,409 | 394,580 | 374,832 |
| Excess of receipts over disbursements | 9,681 | (13,099) | (3,349) | (2,263) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | 12,500 | - | - |
| Operating transfers out | (7,515) | - | (616) | - |
| Total other financing sources (uses) | (7,515) | 12,500 | (616) | - |
| Net change in cash balances | 2,166 | (599) | (3,965) | (2,263) |
| Cash balances beginning of year | 4,027 | 2,004 | 89,871 | 82,118 |
| Cash balances end of year | \$ 6,193 | 1,405 | 85,906 | 79,855 |
| Cash Basis Fund Balances | | | | |
| Restricted: | | | | |
| Nonspendable: | | | | |
| Library fund | \$ - | - | - | - |
| Cemetery perpetual care | - | - | - | - |
| Restricted for: | | | | |
| Employee benefits | - | - | 85,906 | - |
| Streets | - | - | - | 79,855 |
| Debt service fund | - | - | - | - |
| Other purposes | 6,193 | 1,405 | - | - |
| Unassigned | - | - | - | - |
| Total cash basis fund balances | \$ 6,193 | 1,405 | 85,906 | 79,855 |

See Accompanying Independent Auditor's Report

| | | Capital Projects | | Permanent | | Total |
|----------|-----------|------------------|----------------------|-----------|----------|-----------|
| SWWC EMS | Emergency | Debt Service | Museum Renovation | Library | Cemetery | |
| - | 19,503 | 123,544 | - | - | - | 513,010 |
| - | - | | - | - | - | 14,310 |
| 3,781 | - | | - | - | - | 376,350 |
| - | - | | - | - | - | 259,476 |
| 73,107 | - | 30,001 | 73,087 | - | 610 | 198,073 |
| 76,888 | 19,503 | 153,545 | 73,087 | - | 610 | 1,361,219 |
| | | | | | | 233,080 |
| - | - | | - | - | - | 660,575 |
| | | | | | | 95,759 |
| - | - | | - | - | - | 11,775 |
| | | | | | | 28,759 |
| - | - | 388,922 | - | - | - | 405,590 |
| - | - | | 1,926 | - | - | 1,926 |
| - | - | 388,922 | 1,926 | - | - | 1,437,464 |
| 76,888 | 19,503 | (235,377) | 71,161 | - | 610 | (76,245) |
| - | - | 206,690 | - | - | - | 219,190 |
| - | (19,503) | | - | - | - | (27,634) |
| - | (19,503) | 206,690 | - | - | - | 191,556 |
| 76,888 | - | (28,687) | 71,161 | - | 610 | 115,311 |
| 73,465 | - | 64,922 | 29,728 | 40,700 | 57,700 | 444,535 |
| 150,353 | - | 36,235 | 100,889 | 40,700 | 58,310 | 559,846 |
| | | | | | | |
| - | - | - | - | 40,700 | - | 40,700 |
| - | - | - | - | - | 58,310 | 58,310 |
| | | | | | | |
| - | - | - | - | - | - | 85,906 |
| - | - | - | - | - | - | 79,855 |
| - | - | 36,235 | - | - | - | 36,235 |
| 150,353 | - | - | 100,889 | - | - | 258,840 |
| - | - | - | - | - | - | - |
| 150,353 | - | 36,235 | 100,889 | 40,700 | 58,310 | 559,846 |

CITY OF EAGLE GROVE, IOWA

Schedule 2

Schedule of Indebtedness

Year Ended June 30, 2015

| Obligation | Date Issued | Interest Rate | Amount Original Issue | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|-----------------------------------|-------------------|---------------|-----------------------|---------------------------|--------------------|----------------------|---------------------|---------------|-------------------------|
| General Obligation Bonds | | | | | | | | | |
| General Obligation Aquatic Center | November 20, 2006 | 0.00% | \$ 300,000 | \$ 66,653 | - | 33,335 | 33,318 | - | - |
| GO Refunding Bonds | December 28, 2011 | 2.00-2.65% | \$ 1,550,000 | 1,095,000 | - | 150,000 | 945,000 | 24,083 | - |
| GO LOST Refunding Bonds | April 4, 2012 | .80-2.50% | \$ 1,845,000 | 1,845,000 | - | 140,000 | 1,705,000 | 33,903 | - |
| GO Corporate Purpose Bonds | July 16, 2014 | 1.50-2.60% | \$ 1,280,000 | - | 1,280,000 | - | 1,280,000 | 22,768 | - |
| | | | | <u>\$ 3,006,653</u> | <u>1,280,000</u> | <u>323,335</u> | <u>3,963,318</u> | <u>80,754</u> | <u>-</u> |
| Revenue Bonds and Notes | | | | | | | | | |
| Sewer Revenue Bond | August 8, 2012 | 2.50% | \$ 1,596,375 | \$ 1,320,908 | - | 140,525 | 1,180,383 | 31,420 | - |
| | | | | <u>\$ 1,320,908</u> | <u>-</u> | <u>140,525</u> | <u>1,180,383</u> | <u>31,420</u> | <u>-</u> |

CITY OF EAGLE GROVE, IOWA

Schedule 3

Schedule of Bond and Note Maturities

June 30, 2015

| Year Ending June 30, | General Obligation Refunding Bonds Issued 12-28-11 | | General Obligation LOST Bonds Issued 3-1-06 | | General Obligation Aquatic Center Issued 11-20-06 | | General Obligation Corporate Purpose Bonds Issued 7-16-14 | | <u>Total</u> | Sewer Revenue Capital Loan Note Issued 8-8-12 | | <u>Total</u> |
|----------------------------|--|-------------------|---|---------------------|---|------------------|--|---------------------|---------------------|---|---------------------|---------------------|
| | Rate | Amount | Rate | Amount | Rate | Amount | Rate | Amount | | Rate | Amount | |
| 2016 | 2.10 | 120,000 | 1.00 | 145,000 | 0.00 | 33,318 | 1.50 | 120,000 | 418,318 | 2.50 | 144,080 | 144,080 |
| 2017 | 2.10 | 120,000 | 1.20 | 145,000 | - | - | 1.50 | 120,000 | 385,000 | 2.50 | 147,724 | 147,724 |
| 2018 | 2.10 | 125,000 | 1.40 | 145,000 | - | - | 2.00 | 125,000 | 395,000 | 2.50 | 151,460 | 151,460 |
| 2019 | 2.10 | 120,000 | 1.60 | 150,000 | - | - | 2.00 | 125,000 | 395,000 | 2.50 | 133,392 | 133,392 |
| 2020 | 2.10 | 125,000 | 1.80 | 150,000 | - | - | 2.00 | 125,000 | 400,000 | 2.50 | 136,766 | 136,766 |
| 2021 | 2.10 | 110,000 | 2.00 | 155,000 | - | - | 2.00 | 125,000 | 390,000 | 2.50 | 129,279 | 129,279 |
| 2022 | 2.10 | 75,000 | 2.15 | 155,000 | - | - | 2.00 | 125,000 | 355,000 | 2.50 | 132,548 | 132,548 |
| 2023 | 2.10 | 75,000 | 2.30 | 160,000 | - | - | 2.20 | 130,000 | 365,000 | 2.50 | 135,899 | 135,899 |
| 2024 | 2.65 | 75,000 | 2.45 | 165,000 | - | - | 2.35 | 140,000 | 380,000 | 2.50 | 69,235 | 69,235 |
| 2025 | - | - | 2.60 | 165,000 | - | - | 2.60 | 145,000 | 310,000 | - | - | - |
| 2026 | - | - | 2.75 | 170,000 | - | - | - | - | 170,000 | - | - | - |
| | | <u>\$ 945,000</u> | | <u>\$ 1,705,000</u> | | <u>\$ 33,318</u> | | <u>\$ 1,280,000</u> | <u>\$ 3,963,318</u> | | <u>\$ 1,180,383</u> | <u>\$ 1,180,383</u> |

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

For the Last Ten Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|------------------------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Receipts | | | | | | | | | | |
| Property tax | \$ 1,241,496 | 1,179,770 | 1,172,795 | 1,118,289 | 1,047,664 | 1,026,590 | 1,100,675 | 1,084,933 | 1,064,063 | 1,064,063 |
| Tax increment financing collection | 14,310 | 74,385 | 70,683 | 74,112 | 81,611 | 53,654 | 75,507 | 47,521 | 56,485 | 56,485 |
| Other city tax | 343,826 | 338,195 | 339,793 | 401,382 | 305,041 | 324,008 | 297,892 | 300,410 | 68,777 | 68,777 |
| Licenses and permits | 32,017 | 29,536 | 37,053 | 8,255 | 8,723 | 7,300 | 33,553 | 32,469 | 38,656 | 38,656 |
| Use of money and property | 35,452 | 35,783 | 40,172 | 41,783 | 43,122 | 43,036 | 52,549 | 74,903 | 50,603 | 50,603 |
| Intergovernmental | 2,438,130 | 1,036,676 | 1,343,766 | 533,373 | 467,118 | 431,493 | 435,738 | 552,085 | 394,993 | 394,993 |
| Charges for service | 622,273 | 636,913 | 685,360 | 597,793 | 651,120 | 617,574 | 649,064 | 601,275 | 553,453 | 553,453 |
| Miscellaneous | 274,437 | 267,925 | 235,281 | 188,873 | 139,970 | 96,936 | 135,158 | 154,255 | 182,469 | 182,469 |
| Total receipts | \$ 5,001,941 | 3,599,183 | 3,924,903 | 2,963,860 | 2,744,369 | 2,600,591 | 2,780,136 | 2,847,851 | 2,409,499 | 2,409,499 |
| Disbursements: | | | | | | | | | | |
| Operating: | | | | | | | | | | |
| Public safety | \$ 932,801 | 961,941 | 910,011 | 881,228 | 794,277 | 773,820 | 793,852 | 755,112 | 787,370 | 787,370 |
| Public works | 753,005 | 727,364 | 717,723 | 738,205 | 735,269 | 774,287 | 810,273 | 726,521 | 693,366 | 693,366 |
| Health and social services | - | - | - | 5,230 | - | - | - | - | - | - |
| Culture and recreation | 471,020 | 503,995 | 510,500 | 591,583 | 530,008 | 527,724 | 519,750 | 491,028 | 392,670 | 392,670 |
| Community and economic development | 29,486 | 59,670 | 15,590 | 23,207 | 18,478 | 10,492 | 11,731 | 205,348 | 76,388 | 76,388 |
| General government | 142,006 | 164,736 | 136,523 | 150,218 | 156,690 | 202,070 | 160,911 | 145,341 | 135,944 | 135,944 |
| Debt service | 405,590 | 402,265 | 411,420 | 1,171,278 | 610,207 | 360,764 | 479,369 | 401,932 | 744,787 | 744,787 |
| Capital projects | 2,713,682 | 1,262,869 | 1,672,092 | 466,716 | 187,892 | 237,287 | 92,946 | 273,042 | 774,203 | 774,203 |
| Total disbursements | \$ 5,447,590 | 4,082,840 | 4,373,859 | 4,027,665 | 3,032,821 | 2,886,444 | 2,868,832 | 2,998,324 | 3,604,728 | 3,604,728 |

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 5

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

| Federal Grantor/Pass-through Grantor Title | CFDA Number | Pass-through Grantor Number | Federal Expenditures |
|---|----------------|-----------------------------------|-------------------------|
| U.S. Department of Homeland Security | | | |
| Pass-through programs from: | | | |
| Iowa Department of Public Defence: | | | |
| Hazard Mitigation Grant | 97.039 | DR-1763-0119-01 | <u>1,246,501</u> |
| Total | | | <u>\$ 1,246,501</u> |

Basis of Presentation - the Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Eagle Grove, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City Eagle Grove, Iowa's basic financial statements and have issued our report thereon dated February 18, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Eagle Grove's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Eagle Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Eagle Grove's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, II-A-15, described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Grove's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Cost.

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of these statutes.

The City of Eagle Grove's Response to Findings

The City of Eagle Grove's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Eagle Grove's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eagle Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company

February 18, 2016



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Eagle Grove's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Eagle Grove's major federal program for the year ended June 30, 2015. City of Eagle Grove's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Eagle Grove's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Eagle Grove's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Eagle Grove's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Eagle Grove complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Eagle Grove is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Eagle Grove's internal

control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Eagle Grove's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

T.P. Anderson & Company

February 18, 2016

CITY OF EAGLE GROVE, IOWA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2015

The finding listed as II-A-14 in the prior year noted that there was a segregation of duties over internal control deficiency which remains an issue see II-A-15 for June 30, 2015.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program for the Fiscal Year ended June 30, 2015 was CFDA# 97.039, Hazard Mitigation Grant. The City of Eagle Grove spent \$1,246,501 under this program during the Year Ended June 30, 2015.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Eagle Grove did not qualify as a low-risk auditee.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Cause – The lack of segregation of duties is due to the size of the office staff.

Effect – there is a higher risk of misstatement due to the lack of segregation of duties.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Client Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2015

Part III: Other Findings Related to Statutory Reporting:

III-A-15 Certified Budget – Disbursements exceeded its budget for community and economic development during the year ending June 30, 2015.

Criteria – Chapter 384.20 of the Code of Iowa states, in part, “Public Monies may not be expended or encumbered except under a continuing appropriation.”

Cause – TIF expenditures for debt service on the swimming pool.

Effect – The City’s disbursements in the debt service function exceeded the amount budgeted.

Recommendation – The budget should be amended prior to allowing disbursements to exceed the amount budgeted.

Response – We will amend the budget in the future if needed.

Conclusion – Response accepted.

III-B-15 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2015

III-D-15 Business Transactions - Business transactions between the City and its officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|-------------------------|----------|
| Kendall Johnson, Councilman/Owner Oldson's Inc. | Materials for repairs | \$ 653 |
| Dennis Vandewater Councilperson, Owner Sadler Coating Systems | Repairs and maintenance | \$ 971 |
| Gary Lalor City Fire Chief, Owner Lalor Construction | Repairs and maintenance | \$ 3,997 |

Criteria - Chapter 362.5(10) of the Code of Iowa prohibits any city officer or employee from having a contract or job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$1,500, or if the work was contracted under a competitive bid. The transactions with Councilpersons Johnson and Vandewater appear to be in violation with Iowa Code, and are not covered under either of the aforementioned exceptions.

The transactions with City Fire Chief, Lalor, were competitively bid and therefore complied with the Code of Iowa.

Cause – There is a limited number of merchants who are able to provide the services needed.

Effect – Failure to bid the work properly may result in the City paying too much for a service, thereby failing to adequately fulfill their obligation to expend public money properly.

Recommendation – The City should consult with their attorney to see what action, if any, needs to be taken to remedy this situation.

Response – We will consult with our attorney to determine what if any action should be taken.

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2015

- III-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-15 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.